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FISCAL IMPACT REPORT

SPONSOR Foley DATE TYPED 1/25/05 HB 213

SHORT TITLE Eliminating Daily Bed Surcharge SB _____

ANALYST Taylor

REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected |
|-------------------------|------------|----------------------------|-------------------------|------------------|
| Provision | FY06 | | | |
| Bed Surcharge Repeal | (19,500.0) | (20,000.0) | Recurring | General Fund |

(Parenthesis () Indicate Revenue Decreases)

Relates to HB 77, HB 214, SB44

SOURCES OF INFORMATION

Responses Received From

Human Services Department (HSD)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Bill

HB 213 eliminates the daily bed surcharge imposed on nursing homes, intermediate care facilities for the mentally retarded and residential treatment centers. Also, the bill repeals the sections of law pertaining to the distribution of the associated revenues to the general fund for purposes of funding the Medicaid program.

The bill does not specify an effective date, so provisions are assumed to become effective 90 days after the end of the session.

FISCAL IMPLICATIONS

The general fund revenue loss simply reflects the \$19.5 million included in the FY 2006 revenue estimate. The revenue estimate reflects the initial fiscal impact estimate of \$22.5 million developed during the 2004 session adjusted for collections to date.

ADMINISTRATIVE IMPLICATIONS

HSD reports that bed rates for nursing homes and intermediate care facilities, which were changed effective July 1, 2005, would need to be reduced.

TRD indicates that repealing the bed tax would result in administrative savings to the department.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 213 is nearly identical to HB 214. The only difference is that HB 214 carries an emergency clause.

HB 213 also relates to HB 77 and SB 44 (duplicate bills). These repeal the bed tax and the income tax credit provided to private pay beds.

SUBSTANTIVE ISSUES

Bed tax revenues are earmarked to the Medicaid program. HSD's analysis notes that the federal government's Centers for Medicare and Medicaid Services (CMS) does not have a concern with bed surcharge revenues per se; their concern relates to the income tax credit. Unless the tax credit is repealed, CMS will not allow bed surcharge revenue to be used as a state match to Medicaid program. The federal government pays for approximately 73 percent of the Medicaid program. Thus, a net loss of \$19.5 million in general fund revenues implies a loss of approximately \$53 million in federal funds for Medicaid unless other revenues from the general fund are used to replace bed surcharge revenues.

HSD says that revenues lost from the repeal of the bed surcharge "would result in the enforcement of additional cost containment measures".

BT/lg